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EX PARTE

February 27, 1995

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W. Room 222
Washington, D.C. 20554

RE: In the Matter of Price Cap Performance Review for Local Exchange Carriers
CC Docket No. 94-1 DOCKET FILE COPY ORIGINAL

Dear Mr. Caton:

Sprint Corporation proposes the attached questions be asked of panelists at the March 1, 1995, Price Cap debate. Sprint Corporation has submitted these questions to Anna Gomez, Acting Legal Advisor, Common Carrier Bureau for inclusion in the debate.

If you should have any questions, please feel free to call.

Sincerely,

Jay C. Keithley

Jay C. Keithley
Vice President
Law and External Affairs

Attachment

cc: Anna Gomez

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List A B C D E

PRICE CAP FORUM
March 1, 1995
Participant Questions

FOR USTA

1. -- The record in this matter shows several changes in the USTA productivity amount: 1) 1.7% (May 9, 1994 comments), 2) 2.3% (update to BLS economy-wide factor) and 3) 2.5% or 2.6% (January 18 ex parte communication).

Exactly, what is the USTA proposed productivity offset?

2. -- Dr. Christensen suggests in his study (p. 24) that switched access services have contributed disproportionately to TFP growth (reflecting the low marginal cost to price ratio of this service category).

Why is it appropriate to use a TFP factor in a price cap plan applying only to interstate services? Doesn't TFP understate the contributions to productivity from those services? How do you reconcile your 2.5% productivity offset recommendation with the fact that, over the past four years, price cap LECs' interstate rates of return have been increasing while access rates have been reduced by a 3.3% productivity offset?

In Attachment 4, p. 10, to USTA's Reply Comments, NERA states that productivity offsets in state plans are not directly comparable due, in part, to "...the different mix of services covered by the plans..."

Doesn't this suggest that using TFP for interstate services only might be inappropriate? Would the same TFP factor be appropriate for a price cap plan for intrastate services only?

3. -- Will you please comment on the burden associated with constructing the TFP analysis, specifically the following issues:

a) LEC and consultant man-hours required;
b) LEC and consultant costs;
c) Estimate the going-forward costs required for annual updates; and
d) The number of data items necessary for the TFP analysis updates that require special studies, adjustments to publicly available data, or the use of information from sources other than FCC reports.

4. -- What LEC data source should be used in doing a TFP analysis? What auditing procedures should be applied to confirm the accuracy of this data? Should the data be auditable to ARMIS reports?

FOR CARE

1. -- **Are there any terms under which sharing/LFAM should be eliminated? Under rate of return regulation, and under price caps regulation with sharing, can't LECs subsidize or offset competitive losses and build out of competitive infrastructure (like video dial tone facilities)?**

2. -- CARE's proposed productivity offset is based primarily on the productivity gains achieved by LECs during 1991 through 1994. CARE's proposed rate adjustments and productivity offsets are based on returning price cap LECs to an 11.25% rate of return and recapturing all productivity gains achieved during the period 1991 through 1994.

    How does this approach differ, if at all, from traditional rate of return regulation?

    What incentives do LECs have to be more productive if the productivity gains are taken away?

3. -- The record in this matter contains several proposals by members of the CARE coalition:
    a) ATT proposed 5.5% productivity amount (5.1% with $322M cost of capital adjustment) in December 13, 1994 ex parte;
    b) MCI proposed 5.9% productivity amount and 7.5% up-front adjustment in May 9, 1994 comments;
    c) Ad-Hoc analysis reflects a 5.7% productivity offset including a .5% CPD;
    d) CARE ex parte of November 2, 1994, suggested a productivity offset of no less than 5.7%, and a variety of suggestions for up-front rate reductions; and
    e) Ad Hoc ex parte of February 14, 1995, suggested a productivity offset of 8.4%.

    Exactly, what does the CARE coalition propose as the productivity offset, as an up front rate reduction, as the sharing threshold and as the sharing ranges?

4. -- What are CARE's comments on the educational infrastructure funding program USTA proposed in its February 22, 1995, ex parte?

FOR SPRINT

1. -- Why is the elimination of sharing/LFAM critical?

2. -- What are the consumer benefits of the Sprint Price Cap Plan?

3. -- Several LECs involved in this proceeding are claiming that, based on their analysis of long distance carriers' base rates, these carriers are not flowing through LEC access cost reductions to consumers in the form of price reductions.

    Can you comment on this assertion?

<u>FOR CFA</u>

1. -- Do you believe that long distance carriers have not reduced rates to end users as a result of access charge reductions? If access charges are reduced as a result of an order in this price cap docket, do you expect long distance rates to be reduced as well?

2. -- What are CFA's comments on the educational infrastructure funding program USTA proposed in its February 22, 1995, ex parte?